

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6856

BILL NUMBER: HB 1503

DATE PREPARED: Dec 16, 1998

BILL AMENDED:

SUBJECT: Sales tax on fireworks.

FISCAL ANALYST: Beverly Holloway

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FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the deposit of sales tax on fireworks into a special Volunteer Fire Company Fireworks Account within the state General Fund.

The bill requires the Auditor of State to use the revenue to make equal grant distributions to totally volunteer fire companies throughout Indiana that apply for a grant with the Office of the State Fire Marshal.

Effective Date: July 1, 1999.

Explanation of State Expenditures: This bill requires each retail merchant to report to the Department of Revenue (DOR) the amount of gross retail taxes collected on the gross retail income attributable to a firework. The DOR would have to either redesign the current tax reporting form or develop a new form. It will also require the DOR to redesign the computer revenue information system. The DOR estimates the start-up costs of implementing these provisions to be less than \$50,000.

The State Marshal's Office is required to verify the accuracy of each volunteer fire company's application and compile a list showing the volunteer fire companies that filed a verified application for a grant for the year. The list is to be provided to the Auditor of State before March 15th of each year. The State Fire Marshal's Office may incur additional administrative expenses in verifying a grant application. The fiscal impact is indeterminable but can be done within the existing budget. An additional state General Fund appropriation is not needed.

Explanation of State Revenues: This bill establishes the Volunteer Fire Company Fireworks Account within the state General Fund. Revenue from the gross retail taxes attributable to a firework is to be deposited in this Account. In FY 1998 approximately \$1.9 billion was deposited into the state General Fund. No solid data could be found on total sales of fireworks. The best estimate for total nationwide sales of fireworks was \$400 million in 1997. Based on the assumption that Indiana accounts for approximately 5% of total fireworks

sales and sales remain stable, Indiana's portion of sales is estimated to be \$20 million per year. Of the estimated amount of fireworks sold in Indiana, it is estimated that \$13.3 million is for consumer fireworks and \$6.7 million is for display fireworks. Based on these estimates, annual revenue from the 5% state retail sales tax is estimated to equal \$1 million per year. This analysis will be updated if additional information is obtained.

Money in the Account is appropriated to make the grant distribution to volunteer fire companies for firefighting equipment or firefighter training. The Auditor of State issues the warrants from the Account. This can be done within the existing budget and does not require an additional state General Fund appropriation.

Explanation of Local Expenditures:

Explanation of Local Revenues: Volunteer fire companies will receive grants from the Volunteer Fire Company Fireworks Account for firefighting equipment or firefighter training.

State Agencies Affected: Department of Revenue; Office of the State Fire Marshal; Auditor of State.

Local Agencies Affected: Volunteer Firefighting Companies.

Information Sources: Department of Revenue, (317) 232-0072. Dr. John Conkling, American Pyrotechnics Association, (410) 778-6825.